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Gardiner, Frederick G

Budget address delivered to
the Council of the Municipality
of Metropolitan Toronto

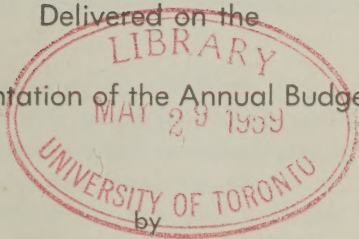
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An Address

Delivered on the

Presentation of the Annual Budget



Frederick G. Gardiner Q.C.

Chairman of Metropolitan Toronto Council

April 7, 1959

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As Metropolitan Toronto enters the second five years of its existence every metropolitan municipality on the North American continent is struggling to find sufficient revenues to meet the demands of its citizens for services which are required by their current expansion and for the many services which should have been provided during the last five, ten or fifteen years when they could have been provided at a fraction of today's cost.

I do not propose to confuse you with a maze of statistics but it is important that you should have in convenient form an abbreviated statement indicating the expenditures and revenues of the Metropolitan Corporation for the years 1954, 1957, 1958 and the estimated expenditures and revenues for 1959 and that some observations should be made with respect to the trends which they disclose.

The reason I have chosen the four years above referred to is that 1954 was the first year of Metro's operation, 1957 was the year in which the Metropolitan Toronto Police Force and the Metropolitan Toronto Licensing Commission came into operation which substantially changed the situation and we now have the actual figures for 1958 with which the 1959 estimates may be compared.

The following are statements of expenditures and revenues which affect the levy for the years indicated:

EXPENDITURES

General	Actual 1954	Actual 1957	Actual 1958	Estimated 1959
Administrative Departments	\$ 2,121,769	\$ 2,597,142	\$ 2,832,129	\$ 3,164,465
Administration of Justice	1,201,970	2,805,419	3,389,871	3,839,853
Police Commission		12,660,019	13,446,265	14,362,507
Licensing Commission ...		273,608	294,332	342,095
Operating Departments	10,472,364	18,308,587	20,481,421	21,668,899
Metropolitan Planning Board	92,500	223,840	238,895	338,347
Metropolitan Civil De- fence Organization		253,981	202,691	285,000
Debenture Debt Charges	2,407,251	5,810,789	6,167,998	8,533,985
Sundry	2,336,340	2,970,985	3,659,510	4,766,215
Capital Expenditures out of Revenue		6,366,246	6,690,221	7,128,016
Total Affecting General Levy	\$18,632,194	\$52,270,616	\$57,403,333	\$64,429,382
Education — including debenture debt charges and less provincial grants and any previous year's surplus				
Total Affecting Educational Levy	23,490,803	30,145,726	33,923,783	39,038,152
Total Affecting Levy ...	\$42,122,997	\$82,416,342	\$ 91,327,116	\$103,467,534
Waterworks — includ- ing debenture debt charges				
Total Affecting Water Rates (see contra waterworks revenue)	5,443,057	7,653,822	9,359,850	10,458,287
Total Expenditures	<u>\$47,566,054</u>	<u>\$90,070,164</u>	<u>\$100,686,966</u>	<u>\$113,925,821</u>

REVENUE

	Actual 1954	Actual 1957	Actual 1958	Estimated 1959
Provincial Grants and Subsidies	\$ 6,941,016	\$12,056,701	\$13,040,565	\$15,087,693
Other General Revenue				
Administration of Justice, Housing and Welfare recoveries, Registry and Land Title Offices, Administration Services, Audit Fees, Interest and Exchange, Share of Supplementary Taxes levied by Area Municipalities, Rental of Properties and Miscellaneous ...	858,175	7,585,965	8,572,549	8,090,963
Total General Revenue	\$ 7,799,191	\$19,642,666	\$21,613,114	\$23,178,656
Surplus (from prior year)		2,114,424	2,327,893	2,804,964
Total Revenues Affecting General Levy	<u>\$ 7,799,191</u>	<u>\$21,757,090</u>	<u>\$23,941,007</u>	<u>\$25,983,620</u>

Deducting the 1959 estimated revenue of \$25,983,620 from the 1959 estimated expenditures of \$103,467,534 leaves \$77,483,914 to be raised by taxation.

It is to be noted that the Metropolitan School Board by legislation recently passed is empowered to include in its current estimates up to 1 mill on the metropolitan assessment for capital purposes. The Metropolitan School Board has exercised this power this year which has added to its current estimates for 1959 the sum of \$3,433,966 for capital purposes.

The metropolitan assessment available upon which to make the levy for the years under review is as follows:

METROPOLITAN ASSESSMENT				
		Residential	Commercial	Total
1953 for 1954 Levy	\$		\$	\$2,474,696,765
1956 for 1957 Levy		1,770,879,925	1,412,242,925	3,183,122,850
1957 for 1958 Levy		1,847,302,579	1,497,807,900	3,345,110,479
1958 for 1959 Levy		1,978,693,587	1,585,314,171	3,564,007,758

The metropolitan tax rates for the years under review are as follows:

METROPOLITAN TAX RATES							
1954		1957		1958		1959	
	Res. & Com.	Res.	Com.	Res.	Com.	Res.	Com.
General	4.63 mills	8.46	12.65 mills	9.06	13.04 mills	9.13	12.86 mills
Education	9.89 mills	9.90	9.90 mills	10.64	10.64 mills	11.48	11.48 mills
Total	14.52 mills	18.36	22.55 mills	19.70	23.68 mills	20.61	24.34 mills

The net result is that the General Levy for 1959 is less than the 1958 rate by .05 of a mill and the Educational Levy for 1959 including the 1 mill levy for capital purposes is more than the 1958 rate by .84 of a mill for an overall increase for 1959 of approximately .8 of a mill.

In addition to the expenditures which affect the levy there are the expenditures for waterworks which in each year are balanced by waterworks revenue. The comparable figures for waterworks expenditures and revenues for the years under review are:

WATERWORKS

	1954 Actual	1957 Actual	1958 Actual	1959 Estimated
Expenditures including debenture debt charges	\$5,443,057	\$7,653,822	\$9,359,850	\$10,458,287
Revenue including surplus	5,511,513	8,021,672	9,803,145	10,458,287

One of the trends which should be observed involves a comparison between the increase in the cost of general services which since 1957 includes police and educational expenditures. They are indicated as follows:

GENERAL EXPENDITURES

	Actual 1954	Actual 1957	Actual 1958	Estimated 1959
General	\$18,664,184	\$52,270,616	\$57,403,333	\$64,429,382
Less Provincial Grants and other revenue — including Surplus from previous year	7,831,181	21,757,090	23,941,007	25,983,620
	<u>\$10,833,003</u>	<u>\$30,513,526</u>	<u>\$33,462,326</u>	<u>\$38,445,762</u>

The comparable figures for educational expenditures including the 1 mill capital levy for 1959 are as follows:

EDUCATIONAL EXPENDITURES

	Actual 1954	Actual 1957	Actual 1958	Estimated 1959
Education	\$30,954,489	\$42,291,035	\$54,422,404	\$63,666,768
Less Provincial Grants and other revenue — including Surplus from previous year	8,739,310	13,924,913	22,156,237	24,628,616
	<u>\$22,215,179</u>	<u>\$28,366,122</u>	<u>\$32,266,167</u>	<u>\$39,038,152</u>

The continued increase in the total expenditures affecting the levy is not a matter of surprise when the population has increased by nearly 45,000 per year as is indicated in the following figures:

POPULATION

1954	1,251,840
1957	1,380,775
1958	1,429,207

Another feature which should be noted is the increase in debt charges resulting from capital expenditures upon metropolitan projects and for school buildings which is indicated as follows:

DEBT CHARGES	
1954	\$ 7,362,322
1957	12,568,150
1958	13,988,650
1959 Estimated	17,422,462

Another matter of interest is the figures for expenditures upon police following the establishment of the Metropolitan Police Force on January 1st, 1957. They are as follows:

POLICE EXPENDITURES	
1954	Nil
1957 Actual	\$12,660,019
1958 Actual	13,446,265
1959 Estimated	14,362,507

The figures for the Licensing Commission during the corresponding period are:

LICENSING COMMISSION EXPENDITURES	
1954	Nil
1957 Actual	\$273,608
1958 Actual	294,332
1959 Estimated	342,095

It is to be observed that the Metropolitan Licensing Commission produces a very substantial amount of net revenue annually.

One reason why the Metropolitan Corporation has been able to maintain a reasonable metropolitan tax rate results from the fact that the metropolitan assessment has increased by an average annually of over \$200 million. In respect of this increase the ratio of industrial and commercial is approximately 45% industrial and commercial to 55% residential which ratio is considered to constitute a very satisfactory tax base. The figures are as follows:

METROPOLITAN TORONTO ASSESSMENT

1953 for 1954 Taxes	\$2,474,696,765
1956 for 1957 Taxes	3,183,122,850
1957 for 1958 Taxes	3,345,110,479
1958 for 1959 Taxes	3,564,007,758

The records to date for the year 1959 indicate that new assessment is proceeding at a rate in excess of \$20 million per month which is comparable to the best years since the incorporation of Metro.

Another reason why the Metropolitan Corporation has been able to maintain a satisfactory financial position is that during the year 1954 a ten-year capital programme was very carefully prepared. The first capital programme provided for capital financing of \$750 million over a ten-year period. If it had been possible to maintain this programme it is now apparent that the \$750 million ten-year programme could have been completed with relative ease. Two main factors have required substantial alterations in the capital programme. They are increased capital requirements for schools and the Bloor-Danforth-University Avenue subway.

In respect of schools capital requirements have more than doubled from the originally estimated \$120 million over ten years to the present estimates of \$284 million over the next ten years. The very substantially increased capital requirements for schools are indicated in the following figures:

CAPITAL ESTIMATES FOR SCHOOLS AS REVISED FROM YEAR TO YEAR

1955 Capital Programme estimate for the year 1959	\$11,000,000
1956 Capital Programme revised estimate for the year 1959	14,000,000
1957 Capital Programme revised estimate for the year 1959	20,000,000
1958 Capital Programme revised estimate for the year 1959	25,000,000
Amount requested by Metropolitan School Board for the year 1959	39,824,202

It is easy to realize how such a violent change in the capital estimates of the requirements of the Metropolitan School Board, which were the result of a totally unexpected and unforeseen increase in pupils, has made it difficult to continue a ten year capital programme which, in the original instance, had been very carefully compiled and the implementation of which is substantially under way.

The other element introduced into the ten-year capital programme which did not appear in the 1955 capital programme is the T.T.C. subway. This item appeared for the first time in the 1956 capital programme under the heading "Transportation Facilities" which referred to the new subway. In the 1959 capital programme the capital requirements for the subway appear as provided for in the Ontario Municipal Board's Order approving the debenture financing to be undertaken by the Metropolitan Corporation. The total amount of subway financing for the account of the Metropolitan Corporation is \$14,537,000 over a period of ten years, in addition to annual current capital levies which, over the ten year period, will amount to approximately \$80 million; and the capital financing which the Metropolitan Corporation will undertake for the account of the T.T.C. which amounts to \$98,671,000.

The introduction into the ten-year capital programme of this \$200 million subway has had a salutary effect upon the ability of the Metropolitan Corporation to provide all of the capital amounts that are needed for what are commonly known as "Metropolitan Projects", "Area Capital Requirements", "Education" and "New T.T.C. Subway".

The revised 1959 ten-year capital works programme provides for the following amounts:

**1959—10 YEAR CAPITAL WORKS PROGRAMME
METROPOLITAN CORPORATION — SUMMARY**

	Estimated Expenditures (\$,000's of Dollars)										Total Expenditures 1959-1968
	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	
Total Metropolitan Projects	48,525	54,387	52,496	50,560	47,664	45,771	36,538	38,457	33,094	24,000	431,593,000
Less											
Estimated Provincial Subsidies for Roads and Aged Per- sons' Homes	10,418	13,595	13,640	10,953	10,760	12,113	12,125	9,390	6,800	3,900	103,694,000
Before Current Levy for Capital Purposes after T.C.	214										214,000
Total Metropolitan Projects											
Net	37,893	40,792	38,856	39,607	36,904	33,658	24,513	29,067	26,294	20,100	327,685,000
Area Municipalities	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	300,000,000
Educational	30,000	30,000	30,000	30,000	30,000	29,675	30,000	25,000	25,000	25,000	264,675,000
Total Metropolitan, Area Municipalities and Educational Projects	37,893	100,792	68,856	69,607	66,904	63,333	54,513	54,067	51,294	75,100	912,360,000
Toronto Transit Commission— New Subway — Metro- politan Toronto Share after deducting Capital Levy			4,000	3,000	500	3,500	2,000	1,537			14,537,000
Toronto Transit Commission's Share	2,925	4,412	6,962	7,860	8,676	12,902	12,455	15,401	11,626	13,452	98,671,000
Toronto Transit Commission— Other than Subway		3,600	1,990	1,400	1,600	1,040	610	1,605	240	2,670	14,755,000
Total	100,818	108,804	112,808	111,667	107,680	110,775	99,578	102,610	93,160	91,225	1,040,325,000

It is to be observed that the above mentioned capital borrowings required in each of the ten years is after the imposition of the two-mill capital levy which will be almost entirely appropriated and reserved for the Metropolitan Corporation's 55% contribution to the capital cost of the subway.

Much has been said about the lack of confidence displayed by the Finance Commissioner and the Metropolitan Chairman with respect to their opinion that the maximum amount the Meropolitan Corporation should attempt to debenture during any one year is \$100 million. That recommendation is said to be artificial, unrealistic and too pessimistic. The following figures indicate the debenture financing which the Metropolitan Corporation has successfully completed since 1954:

METROPOLITAN TORONTO DEBENTURE FINANCING

Total Debentures to date \$391,508,000

Cost of Debentures

Year	Amount	Cost
1954	\$30,235,000	3.64
	26,155,000	3.55
1955	31,714,000	3.58
	28,169,000	3.88
1956	28,580,000	4.65
	36,454,000	4.47 (New York)
1957	20,090,000	5.43
	39,372,000	5.10 (New York)
	26,694,000	5.20
1958	29,640,000	4.94
	39,587,000	4.13 (New York)
	28,559,000	4.83 (New York)
1959 (March)	26,259,000	5.465

\$391,508,000

CAPITAL FINANCING

Total		Estimated	
1958 Capital Financing		1959 Capital Financing	
\$29,640,000		March	\$26,259,000 (completed)
39,587,000 (New York)			40,000,000
28,559,000 (New York)			34,559,000
\$97,786,000			\$100,818,000
2-mill capital levy	6,690,221		7,128,016
\$104,476,221			\$107,946,016
		1-mill school capital levy	3,433,966
			\$111,379,982

The cost of Metro's capital funds in 1954 was approximately 3.5%. The cost of the last issue in March 1959 was 5.465%.

The Metropolitan Corporation's ability to finance at the present time is adversely affected by the federal government's deficit financing which requires it to enter the same market as the Metropolitan Corporation for unusually large amounts. This has had the effect of materially increasing the rate of interest and at the same time substantially decreasing the volume of money available for metropolitan financing. It is therefore my considered opinion, as it is of the Finance Commissioner and many of the most experienced financiers in this city, that a capital works programme requiring more than \$100 million of debenture financing in 1959, although it might be accomplished, would put more pressure upon the market than would be justified by a sound financial policy. It is to be noted that \$100 million of debenturing in 1959 would involve the following financing:

1959	March	\$26,259,000	(Canada)
	June	40,000,000	(New York)
	November	34,000,000	(Canada)

which, in my opinion, it would not be in the interest of the Metropolitan Corporation to attempt. The New

York market has been receptive to metropolitan debenture issues in amounts which have never exceeded \$40 million at currently favourable competitive rates and no issue has been sold in Canada since 1955 in excess of \$30 million. Unless prevailing conditions substantially improve, and there is no evidence as yet that that is likely to occur in the near future, it would be inadvisable for the Metropolitan Corporation to enter the Canadian market for the balance of this year for more than \$30 million.

The net result of the foregoing is that the capital programme for 1959 should be cut down to \$96 million of debenture financing plus the two-mill capital levy now reserved for the subway and the one-mill school capital levy.

Relative Burden of Taxes

It is a matter of satisfaction to the Metropolitan Corporation that it could have balanced its current budget for 1959 with a slightly decreased metropolitan rate from that which prevailed in 1958 had it not been for the inclusion in the Metropolitan School Board's estimates of a one-mill levy for capital purposes. Unfortunately some of the constituent municipalities do not find themselves in such a favourable position. However I think it is appropriate to say that while increased taxation will never be popular that the cost of provision of municipal services is no different from the cost of production of any other product. Both are affected by the factors which are reflected in an increased consumer price index and in increased wages and salaries. The same factors which result in an increased consumer price index and increased wages and salaries affect the cost of municipal services to the same extent as in respect of any other product. It stands to reason that if the consumer price index and wages and salaries continue to rise that the cost of municipal services must rise in the same proportion.

The Assessment Commissioner prepared a very comprehensive statement indicating the increase in taxes for the period 1940 to 1958 in respect of representative properties in all of the thirteen municipalities. This examination reflects the following percentage of increase in taxes in relation to the increases in the consumer price index and wages and salaries in the metropolitan area in the same period:

Weighted average increase in taxes—	90%
Increase in consumer price index—	97%
Increase in wages and salaries—	181.18%

If it had not been for the violent increase in educational costs and the introduction of the subway into the ten-year capital programme the Metropolitan Corporation would have arrived at a plateau in the year 1959 where the annual requirements would start to decline. The situation we face today is that such a plateau is not likely to be reached until 1965. During the next six years it is essential that all who are involved in the direction and administration of metropolitan projects, area municipality capital works, capital expenditures for schools and the T.T.C. moderate their requirements bearing in mind, that in the life of any corporation, particularly in its formative years, periods are likely to be encountered when financing is difficult and that common sense must be shown so that the difficulties may be overcome and the plateau reached where dividends will be received as a result of sound, efficient and conservative administration. If such a course is not followed the plateau will be like a mirage, the more it is pursued the further it moves beyond grasp and in fact may never be reached by reason of the fact that we are guided by what we consider desirable rather than what we can afford.

As I have indicated this Metropolitan Corporation finds itself in no different position from all others on this continent. We have successfully financed ourselves

to date solely upon real estate taxation and provincial grants and subsidies.

It might be well for us as we consider the difficulties of our position to note that the City of New York this year, in order to finance itself, procured special legislation from the State Legislature to impose the following special taxes:

1. Taxi cab tax of 10 cents per ride
2. Increase in the city tax on cigarettes from one cent to two cents
3. Double levy on public utility gross receipts from 1% to 2%
4. Increased tax on restaurant meals from 3% to 5%
5. A tax on coin operated and vending amusement machines
6. An increased business and financial gross receipts tax and
7. a real estate transfer tax of $\frac{1}{2}$ of 1%,

all of which are calculated to produce additional revenue of \$125 million which if achieved will still leave that city short of its estimated expenditures by about \$30 million.

This year it would appear that the province can finance itself on its estimated revenues without additional taxation; while in the case of the Dominion of Canada it will be very successful if it can reduce its 1958 estimated deficit of \$600 million to about \$300 million.

The increased educational grants provided in the recent legislation by the province will assist substantially in 1960 and following years as a result of the following additional grants:

Public Schools

Acquisition of Sites,
General Purpose Rooms, Industrial Arts Rooms and
Home Economics Rooms on the basis of approved
cost up to \$20,000 per room

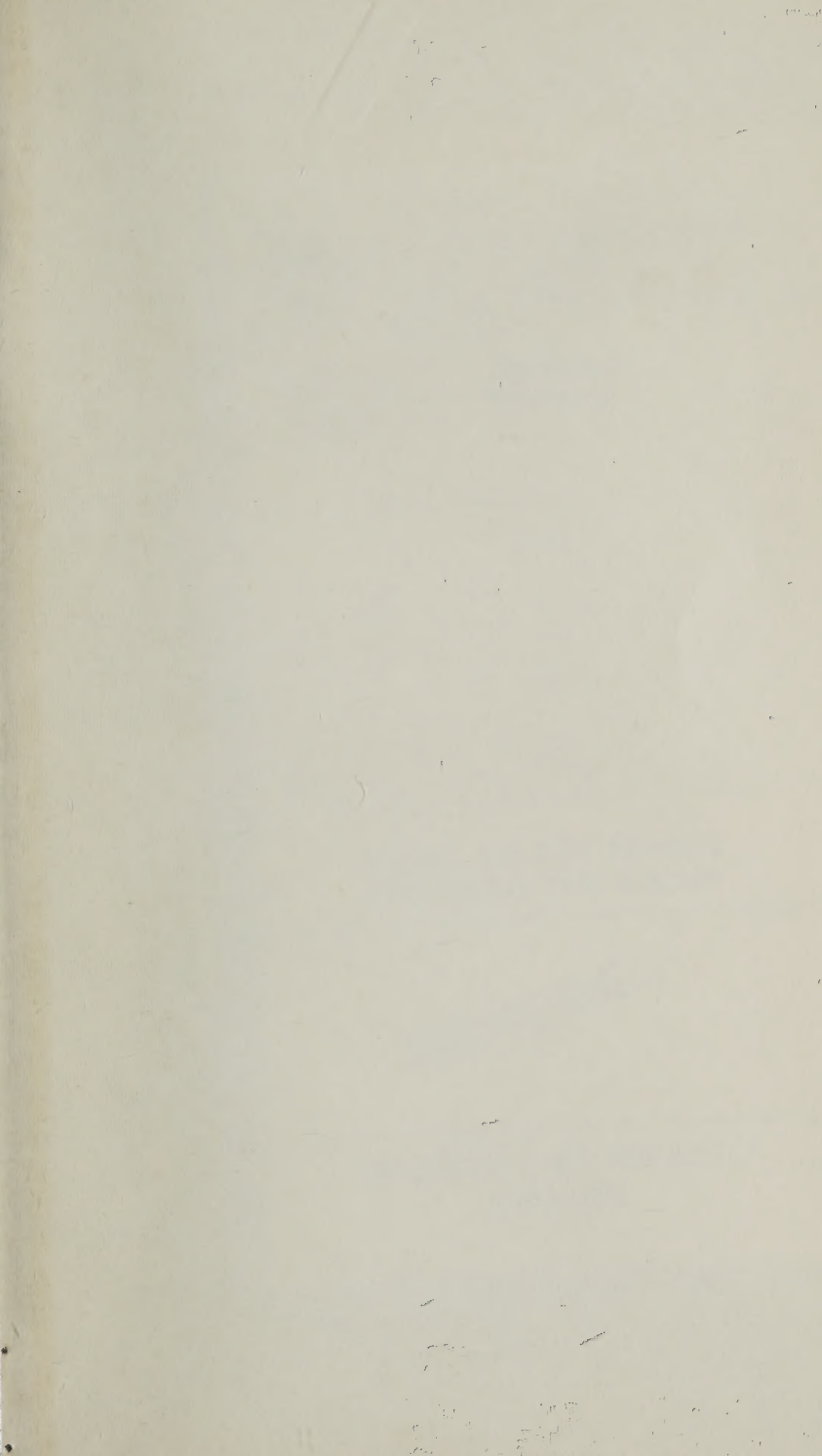
Secondary Schools

Acquisition of Sites,
Industrial Arts and Home Economics Rooms,
Cafeterias and Gymnasias upon the basis of ap-
proved cost up to \$25,000 per room

While the next few years will tax all our resources of energy and ingenuity I have no doubt that if we show the proper respect and cooperation among our community of municipalities, which is so abundantly necessary, we can fulfil the challenge we accepted when we became members of the first metropolitan government on the North American continent.

Frederick G. Gardiner, Q.C.

April 7th, 1959.



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